United Nations E/ICEF/2001/AB/L.1

Economic and Social Council

Distr.: Limited
16 November 2000

Original: English

For action

United Nations Children's Fund
Executive Board
First regular session 2001
22-26 and 29 January 2001
Item 6 of the provisional agenda*

Private Sector Division work plan and proposed budget for 2001

Summary

The Executive Director presents the Private Sector Division (PSD) work plan and proposed budget for 2001.

In 2001, PSD plans to generate $185.1 million in net consolidated income for regular resources. In addition, $136.1 million are projected to be raised from private sector fund-raising activities for other resources. This will be achieved with expenditures of $87.7 million, $0.4 million or 0.5 per cent more than the 2000 latest estimates.

The formal decision to be made on the basis of the present document is the adoption of the draft resolution relating to the budget proposal contained in paragraph 52.

* E/ICEF/2001/2.

00-75179 (E) 111200

Contents

		Paragraphs	*Pa*
I.	Overview	1–16	
II.	Marketing	17–35	
III.	Support services	36–39	1
IV.	Regional support centres and UNICEF field offices	40–49	1
V.	Medium-term plan, 2001-2005	50–51	1
VI.	Draft resolutions	52	2
Tables			
1.	Private Sector Division income statement — 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget		
1A.	Net income after allocation of operating expenses by revenue-generating activity — 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget: Management statement — supporting table 1		
2.	Summary of expenditures — 1999 approved budget, 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget		
3.	Marketing: expenses for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget		1
4.	Support Services: expenses for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget		1
5.	Regional support centres and UNICEF field offices: income and expenditures for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget		1
6.	Private Sector Division medium-term plan: 1999 actual, 2000 approved budget, 2000 latest estimates, 2001 proposed budget and 2002-2005 projections		2
7.	Range of budgeted income and expenditures for the fiscal year 1 January-31 December 2001		2
Annexes			
I.	Private Sector Division: summary of post changes proposed for 2001		2
II.	Private Sector Division: comparison of posts — 2000 approved budget versus 2001 proposed budget		2

I. Overview

A. Introduction

1. In 2000, the Private Sector Division (PSD) experienced its first full year of implementation of the major organizational and systems-related change processes introduced over the past two to three years. The benefits to the organization of these changes are evidenced in the rejuvenated and appealing collection of greeting cards and gift products, a proactive approach towards corporate partnerships, and the creation of a marketing knowledge centre promoting best practices "on line" to National Committees for UNICEF, field offices and other UNICEF user groups. Another achievement during 2000 includes the enhanced in-house screening capacity for assessing potential partners for new corporate alliances.

2. New initiatives launched in 2000, such as the brand development, target group and sales expansion project with FIFA (the world soccer association) and the merchandising spin-off and promotional licensing ventures with child-friendly cartoon characters for advocacy and fund-raising purposes, are on track and offer substantial potential for follow-up and geographic roll-out. Another high-potential project initiated in 2000 that will bring positive results starting in 2001 is the Global Initiative for Fund-raising Techniques (GIFT). This will enable National Committees to acquire best industry practices in nine major areas of fund-raising, with access to supporting documentation and cross-training.

3. The PSD proposed budget for 2001 includes funding to support the release of an integrated UNICEF internet strategy planned to be test marketed in collaboration with the United States Fund for UNICEF (USF). While working on the common UNICEF internet approach, PSD continues to support those National Committees which already promote and/or trade on line by offering standardized, updated "templates" on private sector activities.

4. In early 2000, PSD developed a draft long-term marketing and fund-raising strategy aimed at rebalancing the overall management and investment priorities among the major business components, while incorporating the changing market requirements created by the new economy and its web-empowered customers (and donors). In order to ensure proper reality checks and buy-in from PSD partners, a Private Sector Fund-raising Task Force, comprising UNICEF divisions and representatives from National Committees, was created and is co-chaired with National Committees. The overall aim is to maximize income potential from both fund-raising and sales activities by analysing the total value-added chain by major business components.

5. In the area of card and product sales, the projected sales volume for 2001 is 152 million cards, and gross proceeds for the same period are projected at $151.8 million. This is an increase over the 2000 latest estimates of 6 million cards in sales volume and $11.8 million in gross proceeds. The net operating income from card and product sales (before the Market Development Programme (MDP), the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme) for 2001 is projected at $60.1 million, compared to the 2000 latest estimates of $50.4 million.

6. In the area of private sector fund-raising, the net operating income (before the Fund-raising Development Programme (FDP) and the Nordic Investment

Programme) for regular resources for 2001 is projected at $139.9 million, compared to the 2000 latest estimates of $146.9 million. In addition, for 2001, $136.1 million of other resources income are projected, compared to the 2000 latest estimates of $136.9 million.

7. The total consolidated income from both revenue-generating activities (after MDP, FDP, the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme) for 2001 is projected at $321.2 million, compared to the 2000 latest estimates of $319.9 million.

8. The strong United States dollar has continued to have a negative impact on PSD income. Consequently, for 2000, the projected gross proceeds from card and product sales are $15.0 million lower, while net proceeds from private sector fund-raising are $10.0 million lower than the approved budget. It should be noted that PSD gross proceeds from product sales for 2000 are projected at $140.0 million, a decrease of $1.6 million (1.1 per cent) when compared to the 1999 actuals (see table 1). PSD net proceeds from private sector fund-raising activities for 2000 are projected at $154.3 million, a decrease of $8.1 million (5.0 per cent) when compared to the 1999 actuals (see table 1A).

9. As required by the Executive Board (E/ICEF/2000/8/Rev.1, decision 2000/1), due to the projected decrease in 2000 net proceeds, PSD has reduced its expenditures for 2000 to $87.3 million (see table 2), which is below the approved low projection.

B. Policy issues

10. PSD proposes the review and approval of the following policy issues:

(a) **MDP**. For 2001, PSD proposes to continue MDP activities with a budget of $3.4 million (the same as the 2000 approved budget). Investments for 2001 will be focused on projects with high rates of return;

(b) **FDP**. For 2001, PSD proposes to continue FDP activities with a budget of $7.0 million ($0.1 million less than the 2000 approved budget), with a focus on new initiatives already started in the key markets of France, Germany, Japan and the United States;

(c) **Central and Eastern European National Committees Development Programme**. In 1999, the Executive Board approved an increase in the retention rate allowed for the nine National Committees in this region from 25 to 50 per cent for the period 1999-2001. This was to facilitate investment towards the expansion of their customer databases to sustainable levels and to increase future business potential. For 2001, it is recommended to maintain the 50 per cent retention, with the overall allocation in this region of $0.4 million ($0.1 million less than in 2000);

(d) **Nordic Investment Programme**. In 2000, this programme was approved by the Executive Board for the period 2000-2003 to facilitate targeted investment in the four Nordic National Committees (Denmark, Finland, Norway and Sweden) so that they achieve a critical mass of donors/buyers, thereby ensuring a sustainable income-generating capacity by 2003. For 2001, the second year of the programme, PSD proposes a budget of $4.1 million ($0.1 million more than the 2000 approved budget) as envisaged in the four-year plan.

C. Consolidated income and expenditure projections for 2001

11. As indicated in table 1, the PSD net consolidated income for 2001 is projected at $321.2 million ($185.1 million for regular resources and $136.1 million for other resources), an increase of $1.3 million (0.4 per cent) over the 2000 latest estimates. The net consolidated income (regular resources) in 2001 of $185.1 million comprises net operating income from card and product sales of $60.1 million, plus net operating income from private sector fund-raising of $139.9 million, offset by the cost of investments in MDP, FDP, the Central and Eastern European National Committees Development Programme and the Nordic Investment Programme, for a combined $14.9 million.

12. Consolidated expenditures for 2001, as summarized in table 2, are projected at $87.7 million, an increase of $0.4 million (0.5 per cent) over the 2000 latest estimates. This marginal increase over the 2000 latest estimates comprises increased operating expenses ($0.8 million) due to inflation and higher investments in MDP ($0.6 million), offset by the lower cost of goods delivered ($1.0 million) resulting from the increased purchasing power of the United States dollar.

D. Human resources

13. The main thrust of the changes in the international Professional category recommended for 2001 is the strengthening of the brand groups in PSD Geneva to better serve its partners, the National Committees. This was achieved by the reallocation of posts from staff functions (marketing services) to line functions (brand groups). In addition, a number of post changes result from the decision to integrate the PSD regional support centre in Singapore with the UNICEF regional office in Bangkok, and the transfer of the PSD regional support centre for Latin America and the Caribbean from Santafé de Bogotá (Colombia) to Panama City (Panama) as a part of the move of the regional office. The proposed changes are as follows:

(a) To ensure that the PSD brand groups in Geneva are provided with adequate human resources sufficient to meet growing demands from the European markets, it is proposed to strengthen their structure with the addition of four new posts, including one P-5 senior marketing officer, two P-4 marketing officers and one P-3 brand development officer. The first three posts are redeployed internally from the Marketing Services Section in PSD Geneva;

(b) Due to the integration of the PSD regional support centre for Asia with the UNICEF regional office in Bangkok, four international Professional posts (one P-5 post of senior regional officer, two P-4 posts of regional market development officer and regional fund-raising officer, and a P-3 post of procurement officer) are abolished at the old location (Singapore), with two of them to be reinstated at the new location (Bangkok). The re-established posts are the P-5 senior regional officer and the P-4 regional marketing officer, which will have combined responsibilities for both income-generating activities;

(c) Due to the relocation of the PSD regional support centre for Latin America and the Caribbean, three international Professional posts (one P-5 post of senior regional officer and two P-4 posts of regional market development officer and regional fund-raising officer) are abolished at the old location (Santafé de Bogotá)

and re-established at the new location (Panama City). In addition, one post of assistant brand development officer at the P-2 level is requested for this region;

(d) The functions and responsibilities of two posts in New York, one at the P-5 level (chief, computer information systems) and one at the P-4 level (brand development officer), have been revised. As a result, the said positions will be abolished and replaced with two new posts graded one level lower, namely a P-4 project officer for information technology and a P-3 brand development officer;

(e) The business analyst function in Geneva will be transferred from marketing to support services. This will result in the abolishment of a P-3 post in the Marketing Services Section and the establishment of a post at the same level in the Finance Section;

(f) With the above changes, the total number of PSD international Professional posts in 2001 will remain the same as in 2000.

14. Proposed changes in the category of national Professional posts are as follows:

(a) Establishment of one post of fund-raising officer in Mexico to support this high potential market;

(b) Abolishment of two posts: one in the sales area of the India office due to the changing format of the PSD presence in that country; and the other in the computer systems area in Singapore resulting from the relocation of the regional support centre to Bangkok. The computer systems function at the new location will be supported by the existing UNICEF regional office;

(c) Therefore, the total number of posts in this category will be reduced in 2001 by one to 18.

15. It is also proposed to decrease the total number of posts in the General Service category by three to 116. This includes a reduction of two posts at UNICEF field offices and one post in the marketing area of PSD Geneva.

16. As a result of the above changes, the total number of PSD posts in 2001 will decrease by four to 214, comprising 80 international Professional, 18 national Professional and 116 General Service.

II. Marketing

A. Introduction

17. In 2000, PSD developed a draft long-term business strategy aiming to connect the private sector's strategies and overall revenue goals to the UNICEF strategic medium-term plan. This draft strategy was presented to the Global Management Team and subsequently shared with the National Committees.

18. In order to ensure a market-driven reality check and to validate as well as quantify the strategic investment priorities of the above draft strategies, a joint task force consisting of the UNICEF regional Office for Europe, PSD and National Committees' senior executives was formed. While awaiting the task force's recommendations, this work plan will generally provide for continuity with the

Table 1. Private Sector Division income statement - 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget

(in millions of United States dollars)

	1999 Actual a/	%	2000 Approved budget a/	%	2000 Latest estimates	%	2001 Proposed	%	Variance 2001 vs. 2000 Latest estimates $	%
Gross proceeds - card and product sales	141.6		160.8		140.0		151.8		11.8	8.4
Less: Retention/commissions and direct expenses at field offices	33.8	23.9	41.3	25.7	36.2	25.9	39.0	25.7	2.8	7.7
Net proceeds - card and product sales	107.8		119.5		103.8		112.8		9.0	8.7
Less: Cost of goods delivered	27.8	19.6	36.1	22.5	33.0	23.6	32.0	21.1	(1.0)	(3.0)
Operating expenses	20.3	14.3	27.6	17.2	26.7	19.1	27.2	17.9	0.5	1.9
Provision for doubtful accounts	1.3		0.5		0.5		0.5		-	-
Add: Other income	6.8		6.3		6.8		7.0		0.2	2.9
Net operating income - card and product sales	65.2	46.0	61.6	38.3	50.4	36.0	60.1	39.6	9.7	19.2
Net operating income - private sector fund-raising	156.4		151.4		148.9		139.9		(7.0)	(4.8)
Less: Other charges										
Market Development Programme	2.1		3.4		2.8		3.4		0.6	21.4
Fund-raising Development Programme	7.0		7.1		7.0		7.0		-	-
Central and Eastern European National Committees Development Programme	0.5		0.5		0.5		0.4		(0.1)	(20.0)
Nordic Investment Programme			4.0		4.0		4.1		0.1	2.5
Net operating income	212.0		198.0		183.0		185.1		2.1	1.1
Less: Exchange rate adjustment	10.1									
Prior years' adjustments (gain)	(1.0)									
Net income - regular resources	202.9		198.0		183.0		185.1		2.1	1.1
Add: PSFR other resources	153.5		130.3		136.9		136.1		(0.8)	(0.6)
Net consolidated income	356.4		328.3		319.9		321.2		1.3	0.4
										%
Card sales volume (millions)	*136*		*160*		*146*		*152*		*6*	4.1

PSFR = private sector fund-raising.
a/ The comparative figures for 1999 were restated to conform with 2000 and 2001 presentation.

E/ICEF/2001/AB/L.1

Table 1A. Net income after allocation of operating expenses by revenue-generating activity - 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget: Management statement - supporting table 1

(In millions of United States dollars)

	1999 Actual a/			2000 Approved budget			2000 Latest estimates			2001 Proposed		
	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total
Gross proceeds	141.6		141.6	160.8		160.8	140.0		140.0	151.8		151.8
Less: Retention/commissions and direct expenses at field offices	33.8	-	33.8	41.3		41.3	36.2		36.2	39.0		39.0
Net proceeds	107.8	162.4	270.2	119.5	159.3	278.8	103.8	154.3	258.1	112.8	147.4	260.2
Less: Cost of goods delivered	27.8		27.8	36.1		36.1	33.0		33.0	32.0		32.0
	80.0	162.4	242.4	83.4	159.3	242.7	70.8	154.3	225.1	80.8	147.4	228.2
Less: Marketing expenses	6.9	6.0	12.9	8.8	7.8	16.6	8.6	7.4	16.0	8.6	7.5	16.1
	73.1	156.4	229.5	74.6	151.5	226.1	62.2	146.9	209.1	72.2	139.9	212.1
Less: Support services	9.3	4.1	13.4	13.2	5.7	18.9	12.7	5.4	18.1	13.0	5.6	18.6
Provision for doubtful accounts	1.3		1.3	0.5		0.5	0.5		0.5	0.5		0.5
	62.5	152.3	214.8	60.9	145.8	206.7	49.0	141.5	190.5	58.7	134.3	193.0
Add: Other income	6.8		6.8	6.3		6.3	6.8		6.8	7.0		7.0
Net operating income before other charges	69.3	152.3	221.6	67.2	145.8	213.0	55.8	141.5	197.3	65.7	134.3	200.0
Less: Other charges												
Market Development Programme	2.1		2.1	3.4		3.4	2.8		2.8	3.4		3.4
Fund-raising Development Programme		7.0	7.0		7.1	7.1		7.0	7.0		7.0	7.0
Central and Eastern European National Development Programme	0.5		0.5	0.5		0.5	0.5		0.5	0.4		0.4
Nordic Investment Programme				1.2	2.8	4.0	1.2	2.8	4.0	1.2	2.9	4.1
Net operating income	66.7	145.3	212.0	62.1	135.9	198.0	51.3	131.7	183.0	60.7	124.4	185.1
Less: Exchange rate adjustment	6.9	3.2	10.1									
Prior years' adjustments (gain)	(0.4)	(0.6)	(1.0)									
Net income - regular resources	60.2	142.7	202.9	62.1	135.9	198.0	51.3	131.7	183.0	60.7	124.4	185.1
Add: Other resources		153.5	153.5		130.3	130.3		136.9	136.9		136.1	136.1
Net consolidated income	60.2	296.2	356.4	62.1	266.2	328.3	51.3	268.6	319.9	60.7	260.5	321.2

a/ The comparative figures for 1999 were restated to conform with the 2000 and 2001 presentation.

Table 2. Summary of expenditures -
1999 approved budget, 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget

(In millions of United States dollars)

	1999 Approved budget a/ b/	1999 Actual a/	2000 Approved budget a/	2000 Latest estimates	2001 Proposed	Variance 2001 vs. 2000 Latest estimates $	Variance 2001 vs. 2000 Latest estimates %
MARKETING							
Commissions - field offices	2.4	0.8	2.3	2.0	2.0	-	-
Cost of goods delivered	35.2	27.8	36.1	33.0	32.0	(1.0)	(3.0)
Operating expenses	20.7	17.5	20.8	19.9	20.2	0.3	1.5
Subtotal	58.3	46.1	59.2	54.9	54.2	(0.7)	(1.3)
SUPPORT SERVICES							
Operating expenses	15.5	13.4	18.9	18.1	18.6	0.5	2.8
NON-OPERATING EXPENSES							
Market Development Programme	4.0	2.1	3.4	2.8	3.4	0.6	21.4
Fund-raising Development Programme	8.5	7.0	7.1	7.0	7.0	-	-
Central and Eastern European National Committees Development Programme	0.4	0.5	0.5	0.5	0.4	(0.1)	(20.0)
Nordic Investment Programme			4.0	4.0	4.1	0.1	2.5
Subtotal	12.9	9.6	15.0	14.3	14.9	0.6	4.2
TOTAL EXPENDITURES	86.7	69.1	93.1	87.3	87.7	0.4	0.5

a/ In accordance with Executive Board decision 1999/2, paragraph 2 (E/ICEF/1999/7/Rev.1), these amounts reflect the low projection budget.
b/ The figures for 1999 approved and actual were restated to conform with the presentation of the 2001 proposed budget.

current year's marketing strategy and programme direction, with an emphasis on executional excellence.

19. The brand group structure will be reinforced, in particular in terms of technical fund-raising capacities and experience levels. The reallocation of marketing resources recognizes the continued growth potential and superior contribution to PSD overall income stream of private sector fund-raising as compared to the relatively stagnant greeting cards sector.

20. Furthermore, the enhanced brand groups will be in a position to proactively pursue and cross-fertilize best practices with an increased capacity to test, develop and evaluate new growth areas such as corporate alliances, product and/or brand licensing, and electronic commerce. These techniques will offer incremental sales, distribution, fund-raising and/or communications potential to UNICEF by teaming-up with the right commercial partners, thus providing brand development, access to new target audiences, advocacy support and revenue-generating opportunities in an integrated manner.

B. 2001 objectives

21. The objectives of Marketing are to achieve (tables 1 and 1A):

(a) Card sales volume of 152 million cards;

(b) Gross proceeds from product sales of $151.8 million;

(c) Net proceeds from UNICEF private sector fund-raising activities of $283.5 million (regular resources of $147.4 million and other resources of $136.1 million);

(d) Net operating income of $185.1 million for regular resources.

C. 2001 strategies

22. PSD strategies for 2001 include the following:

(a) Organizational effectiveness and service capacity:

(i) As part of the Private Sector Fund-raising Task Force project, PSD will review, modify and/or enhance its interface processes with National Committees;

(ii) Two strategic marketing meetings with the 10 key National Committees, including the Nordic region, will be held in 2001. The main focus will be on increased initiatives for sales and distribution expansion, and fostering improved cooperation between PSD and the National Committees in terms of product-campaign executional planning and new business development;

(b) Brand development and brand positioning:

(i) The PSD product development and creative studio will continue to offer updated and integrated design appeal in cards, products, point-of-sale materials and packaging, thus gradually rejuvenating the overall brand appeal and thereby supporting the expansion of distribution channels;

Table 3. Marketing: expenses for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget

(In thousands of United States dollars)

Expenditures	1999 Actual	2000 Approved budget	2000 Latest estimates	2001 Proposed budget	Changes 2001 vs. 2000 Latest estimates $	Changes 2001 vs. 2000 Latest estimates %
Commissions - field offices	763	2,320	2,029	2,020	(9)	(0.4)
Operating expenses						
International posts	3,393	4,117	4,008	3,950	(58)	(1.4)
Local posts	2,192	2,424	2,327	2,021	(306)	(13.1)
Other post-related costs a/	298		181	245	64	35.4
Staff training	61	118	118	124	6	5.1
Other staff costs b/	285	283	310	365	55	17.7
Consultants	158	55	55	70	15	27.3
Travel	517	792	832	815	(17)	(2.0)
Other operating expenses c/	854	1,332	1,284	1,544	260	20.2
Furniture and equipment d/	67	56	56	40	(16)	(28.6)
Research and development	1,924	2,887	2,646	2,666	20	0.8
Field office expenses - product sales	3,292	3,633	3,353	3,555	202	6.0
Field office expenses -PSFR	1,970	2,489	2,386	2,633	247	10.4
Regional support centre expenses	1,325	2,030	1,825	1,671	(154)	(8.4)
Provision for doubtful accounts	1,339	500	500	500	-	-
Subtotal operating expenses	17,475	20,716	19,891	20,190	318	1.6
Total expenses	18,238	23,036	21,910	22,219	309	1.4

a/ Termination indemnity and reimbursement of taxes.
b/ Short-term assistance , staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment, computer software and plant equipment.

(ii) The brand anatomy project undertaken by UNICEF in 2000 will allow PSD, in collaboration with the Division of Communication and National Committee partners, to develop a common brand identity and global positioning of the UNICEF brand. As a practical outflow of this project, and at the executional level for marketing communications in general, PSD will develop tangible tools and training modules, such as a corporate identity manual and visual aids for the use of the logo;

(iii) PSD will further explore pilot projects and controlled experimentation in the area of brand and product licensing, stimulate geographic roll-out and cross-fertilization of best corporate alliance practices, and support the planned relaunch of the UNICEF corporate web site and integrated electronic commerce approach, in collaboration with the USF;

(iv) In its support role to the Global Movement for Children, PSD will help to identify, screen and approach corporate partners for the alliance to provide public relations, media and public service announcement coverage for the Special Session on Children and longer-term programmatic, advocacy and financial support to its cause;

(c) Fund-raising best practices:

(i) PSD will start to reap the tangible benefits of the GIFT project started in 2000. This project, in cooperation with National Committee partners, provides documentation and cross-training for best industry practices in nine major areas of fund-raising, including direct mail, legacies and major donors;

(ii) The private sector fund-raising workshop, to be held in January 2001, will be dedicated mainly to the GIFT project in terms of finalizing the analysis and recording of best practices. Subsequently, small-scale training (share-and-compare) clinics will be organized, allowing individual National Committees to benefit from the best experiences and techniques developed elsewhere. Committees with special know-how will coach those with less experience;

(iii) The marketing knowledge centre on line and, in particular, the capacities to screen potential corporate partners for considerations of ethical and brand-value fit, will be further strengthened in order to cope with the increased level and sophistication in screening requests received from within UNICEF and other agencies.

D. Market Development Programme

23. In 2000, a total of 27 projects were approved for funding from the MDP budget of $3.4 million. Projects were submitted by 10 National Committees. The financial investment of PSD in these projects at 1 November 2000 was $2.0 million, and gross proceeds from these initiatives are projected at $5.0 million.

24. For the 2001 work plan, MDP funding of $3.4 million is proposed, an increase of $0.6 million (21.4 per cent) over the 2000 latest estimates, but the same as in the 2000 approved budget. For 2001, investments will continue to be aimed at assisting partners in, among others things, building consumer awareness of UNICEF cards and products through advertising and telemarketing campaigns aimed at the corporate sector. The latter segment will also be further cultivated through the

geographic roll-out of the proven "key account management" concept and the use of key account executives to promote sales to the profitable corporate sector.

E. Fund-raising Development Programme

25. For 2000, the Executive Board approved $7.1 million for FDP. As of 1 November 2000, $5.6 million had already been committed. Ten National Committees and four UNICEF field offices benefited from FDP support in 2000.

26. For the 2001 work plan, FDP funding of $7.0 million is proposed, the same as the 2000 latest estimates. This will stimulate geographical roll-out of the best practices as per the GIFT initiative, as well as support donor acquisition and augmentation at the partner level.

F. Central and Eastern European National Committees Development Programme

27. The nine countries under the Central and Eastern European National Committees Development Programme project sales of 6.6 million cards and $2.9 million in gross proceeds for 2000. For 2001, objectives include card sales of 7.1 million (an increase of 7.6 per cent over the 2000 latest estimates) and gross proceeds of $3.2 million (an increase of 10.3 per cent over the 2000 latest estimates).

G. Nordic Investment Programme

28. For 2000, the Executive Board approved $4.0 million for the Nordic Investment Programme. As of 1 November 2000, $3.7 million had already been committed for the four Nordic National Committees.

29. For the 2001 work plan, Nordic Investment Programme funding of $4.1 million is proposed, an increase of $0.1 million (2.5 per cent) over the 2000 latest estimates. This is in line with the four-year investment programme approved by the Executive Board in 1999. The investment will drive the creation of a sufficiently large house list constituency of buyers and donors to achieve a self-sustaining level of income for each of the four Nordic National Committees by 2003.

H. Analysis of 2001 proposed budget

30. Gross proceeds from card and product sales for 2001 are projected to range from a low of $148.0 million to a high of $154.8 (see table 7). The medium projection is $151.8 million, an increase of $11.8 million (8.4 per cent) over the 2000 latest estimates.

31. Sales volume for 2001 is projected at 152 million cards, an increase of 6 million cards (4.1 per cent) over the 2000 latest estimates.

32. Net proceeds from card and product sales for 2001 are projected at $112.8 million, $9.0 million (8.7 per cent) higher than the 2000 latest estimates after taking

into account the amounts retained by National Committees, commissions paid to consignees and direct expenses at UNICEF field offices ($39.0 million).

33. Other income for 2001 is projected at $7.0 million, $0.2 million (2.9 per cent) higher than the 2000 latest estimates. This includes royalties from the sale of licensed products, donations generated from brochure and order forms, bank interest and discounts on purchases.

34. Net proceeds from UNICEF private sector fund-raising activities for 2001 are projected at $283.5 million, of which $147.4 million are for regular resources and $136.1 million for other resources.

35. Total operating expenses for the Marketing Group in 2001 are projected at $22.2 million (see table 3), an increase of $0.3 million (1.4 per cent) when compared to the 2000 latest estimates. This is attributable mainly to inflation.

III. Support services

A. Introduction

36. This group provides support to PSD income-generating activities. It includes the costs of the Director's Office, Operations, Finance and Management Information Systems.

B. 2001 objectives

37. The objectives of Support Services are:

(a) To provide financial, operational and information services support to management;

(b) To improve customer service to partners by delivering goods in a timely, accurate and cost-effective manner;

(c) To continue mainstreaming the Financial and Logistics System (FLS) among PSD users and migrate to a new version of SAP (Systems, Applications, Products in Data Processing);

(d) Together with National Committees and the regional Office for Europe in Geneva, to expand the Joint Planning Process to all National Committees in 2001;

(e) To expand to all National Committees the operationalization of the standardized financial reporting package and quarterly reporting and quarterly transfers by the key National Committees.

C. 2001 strategies

38. The strategies to achieve the above objectives are:

(a) To use the master calendar to further improve customer service through the timely and regular review of the status of production and deliveries against plan;

Table 4. Support Services: expenses for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001 proposed budget

(In thousands of United States dollars)

Expenditures	1999 Actual a/	2000 Approved budget a/	2000 Latest estimates	2001 Proposed budget	Changes 2001 vs. 2000 Latest estimates	
					$	%
International posts	4,568	5,742	5,404	5,360	(44)	(0.8)
Local posts	2,756	4,164	3,861	3,394	(467)	(12.1)
Other post-related costs b/	725	-	444	438	(6)	(1.4)
Staff training	32	113	78	113	35	44.9
Other staff costs c/	424	437	373	361	(12)	(3.2)
Consultants	176	-	213	333	120	56.3
Travel	350	485	480	462	(18)	(3.8)
Operating costs d/	2,614	4,866	4,568	4,694	126	2.8
Furniture and equipment e/	1,111	2,254	2,141	2,654	513	24.0
Regional support centre expenses	632	833	571	803	232	40.6
Total expenses	13,388	18,894	18,133	18,612	479	2.6

a/ The comparative figures for 1999 were restated to conform with the 2000 and 2001 presentation.
b/ Termination indemnity and reimbursement of taxes.
c/ Short-term assistance , staff welfare and overtime.
d/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
e/ Office equipment, computer equipment, computer software and plant equipment.

(b) To review and enhance production and distribution processes and make them more effective and efficient;

(c) To investigate alternative procurement and sourcing strategies for non-paper products and alternative production methods based on best industry practices;

(d) To ensure implementation of the "One-Window" reporting concept, including the use of the Financial Reporting Package; and based on quarterly reports from partners, to analyse and compare actual results against plan and provide management with timely information.

D. Analysis of 2001 proposed budget

39. Total expenses for Support Services are projected at $18.6 million, an increase of $0.5 million (2.6 per cent) over the 2000 latest estimates. This increase is due primarily to the mandatory technical upgrade of the existing FLS/SAP at headquarters and because of the one-time costs related to the decision to integrate the PSD regional support centre for Asia currently in Singapore with the UNICEF regional office in Bangkok.

IV. Regional support centres and UNICEF field offices

A. Introduction

40. Gross proceeds generated by UNICEF field offices from PSD activities in 2000 are projected at $27.1 million, with costs estimated at $13.6 million (excluding FDP), resulting in a net operating income of $13.6 million (including other income of $0.1 million).

41. In light of the declining revenue trend from card and product sales activities, it was decided to review the format of the PSD presence in India. Because of the high potential of the local market, alternative approaches to sell cards in India, via a third party arrangement, among others, will be investigated.

42. In line with the decision taken on the relocation of the UNICEF Regional Office for the Americas and Caribbean, the PSD regional support centre for Latin America and the Caribbean was moved from Santafé de Bogotá to Panama City.

43. It is also proposed for 2001 to move the PSD regional support centre for Asia from Singapore to Bangkok to the site of the existing UNICEF Regional Office for East Asia and the Pacific. Bringing PSD regional support closer to the key markets within the established UNICEF structures will not only reduce PSD operating costs because of the common services arrangements, but will also contribute to more effective coordination of UNICEF private sector activities in the region.

B. 2001 objectives

44. The objectives are:

(a) To provide support, assistance and training to the UNICEF field offices in the priority countries of Latin America and the Caribbean and Asia;

Table 5. Regional support centres and UNICEF field offices :

income and expenditures for 1999 actual, 2000 approved budget, 2000 latest estimates and 2001proposed budget

(In thousands of United States dollars)

	1999	2000	2000 Latest estimates				2001 Proposed budget				Changes 2001 vs. 2000 Latest estimates	
	Actual	Approved budget	C&P sales	PSFR	O&F	Total	C&P sales	PSFR	O&F	Total	$	%
Volume of card sales	15,425	23,569	18,737	-	-	18,737	19,216	-	-	19,216	479	2.6
Gross proceeds (RR + OR)	26,700	30,824	14,184	12,867		27,051	15,667	15,531		31,198	4,147	15.3
Less: Commissions paid to consignees	763	2,320	2,029	-		2,029	2,020	-		2,020	(9)	(0.4)
Net proceeds	25,937	28,504	12,155	12,867	-	25,022	13,647	15,531	-	29,178	4,156	16.6
Costs of goods delivered	2,692	4,400	3,427			3,427	3,300			3,300	(127)	(3.7)
Operating expenses:												
International posts	895	890	323	126	139	588	373	150	313	836	248	42.2
Local posts	2,263	2,171	1,165	681	184	2,030	1,240	773	113	2,126	96	4.7
Other post-related costs a/	16						20	22	165	207	207	100.0
Staff training	43	80	29	24	31	84	33	51	28	112	28	33.3
Other staff costs b/	888	1,080	681	387	62	1,130	696	449	10	1,155	25	2.2
Consultants	105											
Travel	361	401	208	121	62	391	168	113	55	336	(55)	(14.1)
Other operating expenses c/	1,790	2,482	1,367	603	80	2,050	1,549	760	74	2,383	333	16.2
Furniture and equipment d/	193	158	86	42	13	141	77	27	45	149	8	5.7
Research and development	665	1,723	445	1,276	-	1,721	475	884	-	1,359	(362)	(21.0)
Total operating expenses	7,219	8,985	4,304	3,260	571	8,135	4,631	3,229	803	8,663	528	6.5
Other income	2	143	148	-	-	148	143	-	-	143	(5)	(3.4)
Net operating income before FDP	16,028	15,262	4,572	9,607	(571)	13,608	5,859	12,302	(803)	17,358	3,750	27.6
Percentage of gross proceeds	60	50	32	75		50	37	79		56		
Less: FDP	291	548	-	578	-	578	-	767	-	767	189	32.7
Net operating income after FDP	15,737	14,714	4,572	9,029	(571)	13,030	5,859	11,535	(803)	16,591	3,561	27.3
Percentage of gross proceeds	59	48	32	70		48	37	74		53		
Summary of expenditures:												
Commissions	763	2,320	2,029	-	-	2,029	2,020	-	-	2,020	(9)	(0.4)
Cost of goods delivered	2,692	4,400	3,427	-	-	3,427	3,300	-	-	3,300	(127)	(3.7)
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	7,219	8,985	4,304	3,260	571	8,135	4,631	3,229	803	8,663	528	6.5

PSFR = private sector fund-raising; O&F = operations and finance; C&P sales = card and product sales;

OR = other resources; RR = regular resources; FDP = Fund-raising Development Programme.

a/ Termination indemnity.

b/ Short-term assistance, staff welfare and overtime.

c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality and miscellaneous services.

d/ Office equipment, computer equipment, computer software and plant equipment.

(b) To achieve:

(i) Card sales of 19.2 million;

(ii) Gross proceeds of $15.7 million from card and product sales and $15.5 million from private sector fund-raising.

C. 2001 strategies

45. The strategies to achieve the above objectives are:

(a) To identify and support regional strategies in the development of new distribution channels for card and product sales, focusing on reaching younger buyers and the corporate market, and support donor acquisition and corporate appeals for private sector fund-raising activities;

(b) To support the review and approval of new corporate alliances in accordance with the UNICEF Corporate Alliance Guidelines, while consolidating existing ones;

(c) To provide support to markets and monitor implementation of the 2001 work plan and budget;

(d) To organize regional workshops for card and product sales and private sector fund-raising activities to review 2000 results, establish strategies, and provide training and support to achieve 2001 objectives.

D. Analysis of 2001 proposed budget

46. For 2001, UNICEF field offices are projected to generate $31.2 million in gross proceeds, an increase of $4.1 million (15.3 per cent) over the 2000 latest estimates (see table 5). This increase is attributable to higher proceeds from both card and product sales (by $1.5 million) and private sector fund-raising (by $2.6 million).

47. In card and product sales, card sales volume is projected to increase to 19.2 million cards, an increase of 0.5 million cards, or 2.6 per cent over the 2000 latest estimates. This is due to the focus on the key markets as well as higher penetration into the markets of Latin America and the Caribbean.

48. Total operating expenses for UNICEF field offices and the PSD regional support centres are projected at $8.7 million, an increase of $0.5 million, or 6.5 per cent over the 2000 latest estimates, due mainly to the relocation of the regional support centre for Asia as well as the anticipated filling of a large number of vacancies.

49. For 2001, the net operating income from UNICEF field offices from both card and product sales and private sector fund-raising activities (excluding FDP) is projected at $17.4 million, an increase of $3.8 million, or 27.6 per cent over the 2000 latest estimates. This increase is a result of a higher net operating income from both card and product sales ($1.1 million) and private sector fund-raising ($2.7 million), and higher operating costs of the Operations and Finance Group of $0.2 million.

V. Medium-term plan, 2001-2005

50. Table 6 presents the medium-term plan for PSD for the period 2001-2005. This plan is based on the market trends, previous years' financial results, and strategic plans developed and implemented in cooperation with National Committees and UNICEF field offices in PSD priority countries.

51. PSD objectives, as per the medium-term plan, are to achieve by 2005:

(a) Card sales volume of 170 million cards;

(b) Gross proceeds from card and product sales of $170.0 million;

(c) Net operating income from private sector fund-raising of $195.0 million for regular resources;

(d) Net operating income from private sector fund-raising of $115.0 million for other resources;

(e) Net consolidated income for UNICEF from the private sector of $367.1 million, comprising $252.1 million in regular resources and $115.0 million for other resources.

Table 6. Private Sector Division medium-term plan: 1999 actual, 2000 approved budget, 2000 latest estimates, 2001 proposed budget and 2000-2005 projections

(In millions of United States dollars)

	1999 Actual	2000 Approved budget	2000 Latest estimates	2001 Proposed	2002	2003	2004	2005
					Medium-term projections			
Gross proceeds - card and product sales	141.6	160.8	140.0	151.8	155.0	160.0	165.0	170.0
Less: Retention/commissions and direct expenses at field offices	33.8	41.3	36.2	39.0	40.7	41.8	43.1	44.3
Net proceeds - product sales	107.8	119.5	103.8	112.8	114.3	118.2	121.9	125.7
Less: Cost of goods delivered	27.8	36.1	33.0	32.0	32.5	33.0	33.5	34.0
Operating expenses	20.3	27.6	26.7	27.2	28.0	29.4	31.0	32.6
Provision for doubtful accounts	1.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Add: Other income	6.8	6.3	6.8	7.0	7.5	8.0	9.0	10.0
Net operating income - PSD card and product sales	65.2	61.6	50.4	60.1	60.8	63.3	65.9	68.6
Net operating income - private sector fund-raising	156.4	151.4	146.9	139.9	151.1	165.0	180.0	195.0
Less: Other charges								
Market Development Programme	2.1	3.4	2.8	3.4	3.5	3.5	3.5	3.5
Fund-raising Development Programme	7.0	7.1	7.0	7.0	7.0	7.0	8.0	8.0
Central and Eastern European National Committees Development Programme	0.5	0.5	0.5	0.4		-	-	-
Nordic Investment Programme		4.0	4.0	4.1	4.1	2.4		
Net operating income	212.0	198.0	183.0	185.1	197.3	215.4	234.4	252.1
Less: Exchange rate adjustment	10.1							
Prior years' adjustments (gain)	(1.0)							
Net income - regular resources	202.9	198.0	183.0	185.1	197.3	215.4	234.4	252.1
Add: PSFR other resources	153.5	130.3	136.9	136.1	125.0	115.0	115.0	115.0
Net consolidated income	356.4	328.3	319.9	321.2	322.3	330.4	349.4	367.1
Card sales volume (millions)	136	*160*	*146*	*152*	*156*	160	165	170

PSFR = private sector fund-raising.

VI. Draft resolutions

52. The draft resolutions for Executive Board approval relating to the PSD budget for 2001 are presented below.

A. Private Sector Division budgeted expenditures for the 2001 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2001 budgeted expenditures of $87.7 million, as detailed below and summarized in column II of table 7 to document E/ICEF/2001/AB/L.1:

	In millions of United States dollars
Commissions — field offices	2.0
Cost of goods delivered	32.0
Marketing expenditures	20.2
Support Services	18.6
Market Development Programme	3.4
Fund-raising Development Programme	7.0
Central and Eastern European National Committees Development Programme	0.4
Nordic Investment Programme	4.1
Total expenditures, consolidated*	**87.7**

* For details, see table 2.

2. *Authorizes* the Executive Director:

(a) To incur expenditures, as summarized in column II of table 7 to document E/ICEF/2001/AB/L.1, and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from card and product sales and/or private sector fund-raising increase to the levels indicated in column III and, accordingly, to reduce expenditures below the level indicated in column II, to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2001 approved work plan.

B. Budgeted income for the 2001 season

The Executive Board

Notes that for the period 1 January to 31 December 2001, PSD net proceeds are budgeted at $272.8 million (regular resources), as shown in column II of table 7 to document E/ICEF/2001/AB/L.1.

C. Policy issues

The Executive Board

1. *Approves* the changes in posts with a net decrease of four posts, as indicated in annexes I and II of document E/ICEF/2001/AB/L.1;

2. *Renews* MDP with $3.4 million established for 2001;

3. *Renews* FDP with $7.0 million established for 2001;

4. *Renews* the Central and Eastern National Committees Development Programme, which includes nine countries, with a budget of $0.4 million established for 2001;

5. *Renews* the Nordic Investment Programme, which includes four countries, with a budget of $4.1 million for 2001;

6. *Authorizes* the Executive Director to incur expenditures in the 2001 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2002 fiscal year up to $32.5 million, as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/2001/AB/L.1).

D. Medium-term plan

The Executive Board

Approves the PSD medium-term plan as reflected in table 6 of document E/ICEF/2001/AB/L.1.

Table 7. Range of budgeted income and expenditures for the fiscal year 1 January - 31 December 2001

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	148.0	151.8	154.8
Deduct: National Committees' retention a/	32.6	33.4	34.1
Net proceeds	115.4	118.4	120.7
Add: Other income - net (table 1A)	6.5	7.0	7.5
Net proceeds - product sales	121.9	125.4	128.2
private sector fund-raising - regular resources (table 1A)	142.5	147.4	153.0
Total net proceeds - regular resources	264.4	272.8	281.2
Budgeted expenditures			
Commissions - field offices	1.9	2.0	2.2
Cost of goods delivered	31.5	32.0	32.7
Marketing expenditures	19.7	20.2	20.7
Support Services	18.0	18.6	19.1
Market Development Programme	3.4	3.4	3.4
Fund-raising Development Programme	7.0	7.0	7.0
Central and Eastern European National Committees Development Programme	0.4	0.4	0.5
Nordic Investment Programme	4.1	4.1	4.1
Total expenditures - consolidated (table 2)	86.0	87.7	89.7
Net consolidated income - regular resources (table 1)	178.4	185.1	191.5
Add: Other resources - private sector fund-raising (table 1)	125.0	136.1	141.0
Net consolidated income - regular resources and other resources	303.4	321.2	332.5

a/ Excludes field office commissions - budgeted in expenditures.

Annex I

PRIVATE SECTOR DIVISION: SUMMARY OF POST CHANGES PROPOSED FOR 2001

Detail	Post levels							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 2000	1	3	13	25	32	6	0	80	19	119	218
Establish and abolish											
Marketing				-1	1			0		-1	-1
Support Services			-1	1	1			1			1
RSCs and UNICEF field offices				-1	-1	1		-1	-1	-2	-4
Total change, PSD	0	0	-1	-1	1	1	0	0	-1	-3	-4
Reclassifications, PSD											
Marketing								0			
Support Services								0			0
Total reclassification, PSD	0	0	0	0	0	0	0	0	0	0	0
Total change and reclassification	0	0	-1	-1	1	1	0	0	-1	-3	-4
Total, Proposed 2001	1	3	12	24	33	7	0	80	18	116	214

IP = international Professional; NO = national officer; GS = General Service;
PAT = post authorization table; RSCs = regional support centres

Annex II

PRIVATE SECTOR DIVISION: COMPARISON OF POSTS - 2000 APPROVED BUDGET VERSUS 2001 PROPOSED BUDGET

	Post levels							Total			Grand
	D2	D1	P5	P4	P3	P2	P1	IP	NO	GS	total
Marketing											
Approved 2000		2	5	11	12	2		32		29	61
Proposed 2001		2	5	10	13	2		32		28	60
Change	0	0	0	-1	1	0	0	0	0	-1	-1
Support Services											
Approved 2000	1	1	6	10	19	4		41		50	91
Proposed 2001	1	1	5	11	20	4		42		50	92
Change	0	0	-1	1	1	0	0	1	0	0	1
Total, PSD headquarters and ROs											
Approved 2000	1	3	11	21	31	6	0	73	0	79	152
Proposed 2001	1	3	10	21	33	6	0	74	0	78	152
Change	0	0	-1	0	2	0	0	1	0	-1	0
RSCs and UNICEF field offices											
Approved 2000			2	4	1			7	19	40	66
Proposed 2001			2	3		1		6	18	38	62
Change	0	0	0	-1	-1	1	0	-1	-1	-2	-4
Total, PSD headquarters, ROs, RSCs and UNICEF field offices											
Approved 2000	1	3	13	25	32	6	0	80	19	119	218
Proposed 2001	1	3	12	24	33	7	0	80	18	116	214
Change	0	0	-1	-1	1	1	0	0	-1	-3	-4

IP = international Professional; NO = national officer; GS = General Service;
ROs = regional offices; RSCs = regional support centres.